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Who is “62 Enough”: Identifying Eligibles for Social Security Early Retirement
in the Health and Retirement Study

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Who is “62 Enough”: Identifying Eligibles for Social Security Early Retirement in the Health and Retirement Study¹

Either the normal retirement age (NRA) or the earliest eligibility age (EEA) for Social Security retirement benefits would be increased under many proposals for Social Security reform. As a consequence, research interest in who retires at early ages and the potential effects of an increase in the NRA or EEA has grown. This note discusses how well researchers can do using data from the Health and Retirement Study (HRS) in identifying the pool of respondents who could have received early Social Security retirement benefits.² Both an understanding of some policy and operational features of the Social Security program and of monthly detail in HRS survey respondent reports are necessary to approximate the pool of potential early beneficiaries.

It seems simple enough to say that workers can receive early retired worker benefits at age 62. In fact only some workers aged 62 at the time of a HRS interview will be “62 enough” to have *received* a Social Security benefit and *reported* it in the survey. To keep the focus on age and receipt reports, the discussion is restricted to insured workers, and assumes that the insured group can be identified, disabled worker and auxiliary beneficiaries excluded, and that there is no measurement error. To further

¹ The author wishes to thank Keith Bender, Ben Bridges, Barry Bye, Sharmila Choudhury, Barbara Lingg, and Russ Hudson for their helpful comments on earlier drafts of this paper.

² Information provided here would also be directly useful to researchers using the Panel Study of Income Dynamics and the New Cohorts of the HRS. (See Willis, 1999, for a description of the New Cohorts.) Persons working with the Survey of Income and Program Participation or other data sources that collect monthly information on Social Security benefit receipt and date of birth would also gain from this discussion.

crystallize the discussion, the focus is on benefit receipt reports in the earliest month possible, but the basic ideas are easily extended to a longer first benefit period. For example, researchers may wish to identify those retiring anytime while aged 62 or anytime prior to the full benefit age in the pool of workers eligible to do so.

SOCIAL SECURITY POLICIES AND PROCEDURES

Age and Entitlement

To be entitled to retirement insurance benefits workers must be age 62, fully insured, and have filed an application for retirement insurance benefits.³ Under the age eligibility requirement, workers must be at least age 62 *throughout* the month of first entitlement (*Social Security Handbook*, 1997, paragraph 301).⁴ For example, most workers with 62nd birthdays in June 1993 do not meet the age requirement until July 1993. Exceptions are those born on the 1st or 2nd day of the month. Those born on the 1st are considered to have attained age 62 on the last day of the preceding month; those born on

³ Under the terminology used in the Social Security retirement program, “eligibility” refers to meeting the insured status and age requirements regardless of whether or not an application for benefits has been filed. “Entitlement” refers to the state of meeting all requirements for receipt of benefits, including the filing of an application.

⁴ The “throughout the month” provision applies only at age 62 to workers and their spouses and was added with the 1981 amendments (see Svahn, 1981). SSA administrative data show that most men who take retirement benefits at age 62 take them in the earliest possible month. Under old law, for example, the majority of the 1915 cohort retiring at 62 first took benefits for their birthday month. After the 1981 amendments, the majority of the 1920 cohort retiring at 62 first took benefits for the month following their birthday month.

For a discussion of the desirability of changing the throughout-the-month provision, see the recent Inspector General’s (IG) Report to the Congress in SSA’s FY 1998 Accountability Report, p. 125, available at www.ssa.gov. SSA disagreed with the IG recommendation to change the provision.

the 2nd are considered to have attained age 62 on the first day of their birthday month.⁵

Both could be entitled to benefits for the month of their 62nd birthday.

Those retiring early have their benefits reduced by 5/9 of 1 percent (or 1/180) for each month of entitlement before age 65.⁶ To figure the number of reduction months, count all months, beginning with the first month of entitlement to reduced benefits, up to the month in which the person reaches NRA.⁷ As noted in Svahn (1981), the major effect of the “throughout the month” provision is a delay in benefit entitlement for most of the earliest retirees. That delay, in turn, means a reduction for early-retirement benefits for most workers based on 35 months before age 65 (rather than 36 months).⁸

⁵ In SSA regulations, the rule is that “an individual attains a particular age on the first moment of the day preceding the anniversary of his/her birth” (SSA, *Program Operations Manual Systems*, GN 00302.400). (See also the IG report in SSA’s FY 1998 Accountability Report, p. 125, at www.ssa.gov.) The age-attainment rule results from common law definitions.

⁶ This discussion of benefit reductions for early retirement assumes that no benefits are withheld due to the earnings test.

⁷ For those born in 1938 or later, the retirement age will increase gradually from age 65 until it reaches age 67 in 2022. The increase will affect the amount of reduction for those retiring early with reduced benefits (see SSA, *Social Security Handbook*, 1997, paragraphs 723-5). This paper assumes an NRA of 65.

⁸ Only those born on the 2nd of the month are subject to the full 36-month reduction. They attain age 62 on the 1st of their birthday month, are eligible throughout their birthday month, and attain age 65 in their birthday month 3 years later. On the other hand, those born on the 1st of the month attain age 62 in the previous month, are eligible throughout their birthday month, but they attain age 65 in the month preceding their 65th birthday month. The “throughout the month” provision

Application Processing Times

As noted, to be entitled to retirement benefits, workers must also apply for them, and an additional lag between a 62nd birthday and early benefit receipt may result from the time needed by SSA to process the application. Appropriate documents and information must accompany the application (e.g., a birth certificate, the previous year's W-2). The *SSA Accountability Report for Fiscal Year 1997* showed that in the middle 1990s, when the oldest HRS cohorts were first reaching age 62, claims processing time for retirement and survivors insurance claims averaged 15 workdays (www.ssa.gov). To avoid delays due to processing time, SSA encourages workers to contact a SSA office 2-3 months before reaching age 62 (SSA, *Social Security Handbook*, 1997, paragraph 1503), and workers may file applications before the first month in which they are entitled. (Before retirement, SSA also encourages workers to check periodically on their own Social Security earnings records to ensure that all earnings have been credited to them.)

Workers who are aware of these SSA policies and who contact SSA early with the

does not apply at age 65, so they are subject only to a 35-month reduction. Using June as an example month, patterns by day of birth can be summarized as follows:

<u>62nd Birthday</u>	<u>Attain Age 62</u>	<u>Age 62 Throughout Month</u>	<u>NRA Month</u>	<u>Maximum Reduction Months for Early Retirement</u>
June 1, 1993	May 31, 1993	June 1993	May 1996	35 months
June 2, 1993	June 1, 1993	June 1993	June 1996	36 months
June 3-30, 1993	June 2-29, 1993	July 1993	June 1996	35 months

Because day of birth is suppressed for confidentiality reasons in the HRS (discussed subsequently), respondents born on 1st or 2nd of the month cannot be distinguished from other respondents.

necessary documents are probably most likely to receive benefits at the earliest possible date. Delays may result for intended early retirements among the less knowledgeable (e.g., those who believe they must wait until their 62nd birthday to apply) or those with missing birth certificates or other documents.

Monthly Payment Procedures: Prior to May 1997

In the 1992 HRS start year and other years prior to May 1997, Social Security benefits for any given month were paid on the 3rd day of the *following* month for all beneficiaries.⁹ For example, a worker born in June who is first eligible in July would receive the first possible payment--the benefit for July--on August 3rd. If HRS interviews are spread pretty evenly over the days of the month, a benefit payment date of the 3rd of the month means that most HRS interviews in a given month will have occurred after the benefit was received. Thus, respondents could generally report a first benefit receipt to the HRS interviewer in the month that the benefit payment was received.

Monthly Payment Procedures: May 1997 and Later

For new filers for Social Security benefits in May 1997 or later, benefits are paid not on the 3rd of the month but on either the second, third, or fourth Wednesday of the month depending on their day of birth (*Social Security Bulletin*, 60:2, 1997:77 and *Social*

⁹ If the third of the month is a Saturday, Sunday or federal holiday, checks are dated and delivered on the first day preceding the 3rd of the month which is not a Saturday, Sunday or federal holiday. For example, if the 3rd is a Saturday or Sunday, checks are delivered on the proceeding Friday (SSA, *Social Security Handbook*, 1997, paragraph 145). (As a result of this procedure, beneficiaries can sometimes receive two payments in 1 month. In 1999, for example, January 3 was a Sunday, January 1st was a holiday, and the payment was made on December 31st. Thus, beneficiaries could have received two payments in December 1998--one on the 3rd and one on the 31st.) For ease of exposition, this payment feature is not discussed in the text.

Security Handbook, 1997, paragraph 145). Once started, a given person will always be paid on the same Wednesday. Persons getting both SSI and Social Security are an exception: their Social Security benefit will be received (or deposited) on the 3rd of the month. For other exceptions, see the *Handbook*.

Because the change is keyed to the filing date, which is not available in the HRS, identification of respondents retiring in the late spring or summer of 1997 who are under the new system is not possible. In general, however, this new system makes it more likely that a first Social Security benefit receipt in any given month will occur *after* the HRS interview in that month (again, assuming the interviews are spread evenly over the days of the month). Insofar as that happens, obtaining a pretty complete picture of who took benefits as soon as possible will not be possible until the third month following the birthday month in the 1998 and later HRS interviews. For example, workers born in June who receive their first benefit (the July benefit) on the third or fourth Wednesday in August would probably not be able to report that receipt until a September interview (or the next biennial HRS interview since most HRS interviews occur in the spring and summer).

IDENTIFYING EEA ELIGIBLES IN THE HRS

The HRS is a longitudinal survey of a nationally representative cohort of persons born 1931-1941. Interviewing began in 1992 when cohort members were aged 51-61 and will continue biennially as they move through their retirement years. (See Juster and Suzman, 1995, or www.umich.edu/~hrswww for more information about the HRS.)

HRS survey data contain interview dates (month, day, and year (MMDDYY)), date of birth (MMYY), whether the respondent is receiving Social Security benefits and, if so, the date that the respondent began receiving those benefits (MMYY), as well as the type of benefit (i.e., retirement, disability, survivor's benefits, dependent of disabled worker, dependent of retired worker).¹⁰ Thus, available HRS information allows age and first retirement benefit receipt to be measured by month as well as by year.¹¹ Given the program features discussed in the previous section, identifying the pool that would be subject to the maximum (or near-maximum) reduction for early retirement is somewhat more complicated than it may initially seem. Moreover, with the available data it is only possible to approximate that pool,¹² and the approach described here generally allows an extra month when the timing is ambiguous. This approach incorrectly includes among the earliest retirees a few people who took benefits after their earliest possible month but

¹⁰ Benefit data derived from SSA records are available for consenting HRS respondents on a restricted basis. However, these data do not allow direct measurement of retirement benefit payments for HRS respondent cohorts because the benefit data are for the period ending in December 1991, and the HRS target cohorts do not begin to be eligible for Social Security retirement benefits until 1993 when the oldest cohort members become 62.

Covered earnings history data from SSA records are similarly available on a restricted basis. They would establish which HRS respondents are insured for Social Security retired worker benefits (as of 12/91). While nearly all men in the HRS cohorts will be insured, women's status is more problematic. Without the restricted data, estimates of the insured will be based on survey questions on work history, including a special series in the 1996 interview designed to aid in estimating years of covered earnings.

¹¹ Day of birth is collected in the HRS, but it is suppressed for confidentiality reasons.

¹² Uncertainty arises principally because the day of birth is unknown, because individual processing times are unknown, and for those retiring in 1997, because filing dates are unknown. Uncertainty about an exact identification of the pool who are "62 enough" to receive and report a benefit will be greater in data from the 1998 and later interviews because of the change in SSA payment dates.

correctly captures among the earliest retirees the larger group who have retired in the earliest possible month but need the extra month to report it.¹³

Such an approximation can be done as follows. For workers becoming 62 in a given year prior to 1997, researchers should identify the pool of respondents who are into at least the second month following their 62nd birthday month.¹⁴ They are “62 enough” to report a first benefit. For all workers reaching age 62 in 1998 or later and many of those reaching age 62 in 1997,¹⁵ new payment procedures increase uncertainty about benefit receipt reports in the second month following the birthday month. Using the third month following their 62nd birthday month reduces the uncertainty resulting from the new

¹³ In a small number of cases, retired worker benefits may be received in the earliest possible month, but not result in permanent benefit reductions. For example, workers may take a reduced retirement insurance benefit (RIB) pending the outcome of a disability insurance benefit application. If disabled worker benefits are later awarded retroactive to the RIB entitlement, then retired worker benefits at age 65 are not actuarially reduced. (However, retired worker benefits can be permanently reduced if a worker files for disability and elects retirement benefits that start before the retroactive entitlement date to disability benefits, in the 5-month waiting period, for example.)

In another small number of cases, those entitled for the earliest possible month but who lose all of their first month’s benefits to the earnings test are correctly not counted as early retirees.

¹⁴ Greater accuracy would be obtained by treating those *interviewed* on the 1st or 2nd, and possibly the 3rd, of the month--before the payment date of the 3rd of the month--separately and allowing an additional month for their first benefit report. For ease of exposition, the text simply uses months.

¹⁵ As noted, persons filing for benefits after May 1, 1997 will no longer be paid on the 3rd of the month, and one cannot determine exactly which respondents in the 1935 cohort are affected. Early filers among those born in the first half of 1935 (age 62 in 1997) probably received their earliest benefit on the old SSA payment date of the 3rd of the month, but others in the 1935 cohort probably received their first benefit on one of the new payment dates of the second, third, or fourth Wednesday of the month.

payment dates.¹⁶ Regardless of cohort, an additional month's lag until the third (or fourth) month following the birthday month would allow reports from some workers whose applications had longer claims processing times.

Within the pool, a comparison of the month and year that respondents report that they started receiving benefits with the month and year of birth will allow those who took benefits in the earliest possible month and reported those benefits in the second or third month following their 62nd birthday month to be distinguished from those who did not. Note that for respondents with 62nd birthdays late in the year, the earliest benefit receipt might not occur until early in the following calendar year.

In 1994 (the second HRS interview year), for example, HRS interviewing began in May. As a result, all of the 1931 cohort who had attained age 62 in 1993 could report the month and year of an early benefit receipt, but for 15 percent of the cohort who were born in November or December, the earliest receipt could not occur until January or February 1994, respectively.¹⁷

That kind of situation--that of respondents who became 62 in a year *prior* to the interviewing year--is summarized in the first row of Figure 1. The second kind--that of respondents interviewed *in* their 62nd birthday year--is summarized in the second row of

¹⁶ Note that if no adjustment is made for the additional payment lag, a small decrease in the proportion of 62-year olds who appear to retire at EEA may appear in the 1998 HRS data compared with similar proportions in earlier HRS interview years.

¹⁷ This and the following HRS estimates assume that the earliest possible report could occur in the second month following the 62nd birthday month, do not correct for day of interview, and use unweighted data. They also assume that birthdates of workers insured for Social Security are distributed like those of other respondents.

Figure 1. Data for some of these respondents should be set aside because respondents are either still age 61 or “not 62 enough” to report an early retirement benefit. For example, the 1994 HRS interview with the 1932 cohort occurred in their 62nd birthday year, and they are not all “62 enough” to be age eligible for early benefits. In fact, of respondents in the 1932 cohort in the 1994 HRS survey year, only about 43 percent completed the 1994 HRS interview in or after the first possible month in which they could report a benefit receipt. The remaining roughly 57 percent could not have received a first benefit in time to report it in their 1994 interview month. For researchers unwilling to wait for retrospective data from the 1996 HRS interview to establish who in the 1932 cohort retired in the earliest possible month and who did not, examination should be restricted to the 43 percent who were “62 enough” to report a benefit in 1994.

Figure 1. Summary of Methods for Identifying Persons Aged “62 Enough” to Report Receipt of Early Social Security Retirement Benefits

HRS Group	HRS Example	Method	Notes
Cohorts with 62 nd birthdays in years <i>prior</i> to the interview year	1931 cohort who became 62 in 1993 (an HRS noninter-viewing year)	Identify those with first benefit receipt reports for at least the 2 nd month following the 62 nd birthday. ¹ (Note that for those born in November or December, allow reports for January or February in the year following the 62 nd birthday year.)	Properly measured, all in the cohort are “62 enough” to report benefit receipt for at least 1 month
Cohort with its 62 nd birthday <i>in</i> the interview year	1932 cohort who became 62 in 1994 interviewing year	Identify those with 62 nd birthdays at least 2 months prior to the interview month. ² Set others aside as “not 62 enough” for their early benefit receipt status to be known.	Some in the cohort are set aside as “not 62 enough” in this interview year

¹ After the 1997 payment procedure change, allow an extra month.

² After the 1997 payment procedure change, allow 3 months.

Peak HRS interviewing months may vary across HRS interviewing years. As a result, larger or smaller proportions of each cohort attaining age 62 in an interviewing year may be “62 enough” to report an early benefit in each interviewing period. Without the kind of specification described here, the proportion of those aged 62 in a given interviewing year who take early benefits may appear to vary from year to year solely as a result of changing HRS interviewing months.

SUMMARY AND DISCUSSION

Workers are not instantly eligible for Social Security retirement benefits on their 62nd birthdays nor can they receive benefits in that month. With the exception of persons born on the 1st or 2nd of the month, age *eligibility* occurs the following month and, for those filing early and complete applications (especially for those applying before their 62nd birthday), the earliest benefit *receipt* would occur after yet another month. SSA application-processing times for individual workers can increase the lag between a filing and first benefit receipt.¹⁸

In any given month, benefits must also be received in time to be *reported* in the survey. For HRS interviews in 1996 and earlier, the earliest receipt reports could generally occur in the month of receipt (i.e., the second month following the birthday

¹⁸ Processing times could vary with characteristics of interest. For example, insofar as education is related to program knowledge and record keeping (including periodic review of earnings histories for any errors), one might expect later applications and longer processing times for less educated workers than for more educated workers. Similarly, workers in poor health may have difficulty getting to Social Security offices to file for benefits or followup with additional documents despite their desire to do so. Even if classifications of takers and postponers are as technically correct as the data allow, some workers may miss retiring in the earliest possible month for reasons that are confounded with the reason workers seek early benefits.

month). For HRS interviews in 1998 and later survey years, new SSA payment procedures make it likely that 3 months after the birthday month will become the earliest possible date that a first benefit report could be made for many respondents.

In developing preliminary estimates of the economic and health characteristics of early retirees, Burkhauser, Couch, and Phillips (1996) classified 1994 HRS respondents from the 1931 and 1932 cohorts into “takers” and “postponers” of early Social Security retirement benefits. In assigning a taker or postponer status, they used the year of Social Security benefit receipt and the respondent’s age in 1993 or 1994 (1996, Table 2 and footnote 7). Respondents aged 62 in 1993 (1994) who reported Social Security receipt in 1993 (1994) were classified as “takers”. The remaining respondents, including those not insured for Social Security, were classified as “postponers”.¹⁹

Their analysis would have benefited from a 3-group classification: “takers” of early Social Security retired worker (RW) benefits, “postponers” of early RW benefits, and a group that is “not 62 enough” to determine their taker or postponer status. By default, the “not 62 enough” were classified with the “postponers” in the Burkhauser, Couch, and Phillips (1996) work. Our HRS estimates, discussed above, suggest that 15 percent of the 1931 cohort and 57 percent of the 1932 cohort were “not 62 enough” *in their 62nd birthday years* (1993 and 1994, respectively) for their status in their first month of possible benefit receipt to be known. Classifying them all as “postponers” would be a

¹⁹ Respondents with disability or widow’s benefits and those reporting benefits prior to age 62 were excluded. They noted that subsequent work would exclude those not insured for Social Security benefits.

misclassification for a large minority who might have retired at the earliest date.

Classifying takers and postponers of early retirement benefits using year alone for the full age-62 group results in a “postponer” group that is too large and a total that is too large because they both include the “not 62 enough”. That, in turn, raises questions about some of their findings. For example, Burkhauser, Couch, and Phillips find that about one-third of men take Social Security benefits while they are aged 62 (1996:796). (All of their results are given separately by sex.) However, if their estimates had been restricted to men who were “62 enough” to report even one month’s benefit in the 1994 interview, then closer to 43 percent of men took Social Security benefits while they were aged 62.²⁰ (For both their estimate and this one, some men have been “62 enough” for only one or a few months when the data were collected. The true proportion of men in these cohorts who take benefits at some point in their 62nd year (i.e., before their 63rd birthday) will, no doubt, be higher.)

Burkhauser, Couch, and Phillips report also that men taking early retirement benefits who are also in poor health and have no other pension income make up less than 3 percent of 62-year old men (1996:797). Again, the correct proportion is almost certainly larger since their denominator includes many men who are “not 62 enough” in the 1994 interview to have either taken or postponed benefits yet. In addition, it seems

²⁰ This estimate assumes that the earliest possible report could occur in the second month following the 62nd birthday month, that birthdates of workers insured for Social Security are distributed like those of other respondents, and that “takers” do not differ from others on these characteristics. The estimates do not correct for day of interview, are from unweighted data, and still suffer from the inclusion of noninsured persons in the denominator.

likely that additional numbers of men in poor health will retire before their 63rd birthday but after the 1994 interview. The size of the poor health-no pension group taking early benefits has policy implications since concerns surrounding proposals to raise the earliest age of eligibility for Social Security benefits depend, in part, on the size of the group for whom such an increase would be a serious hardship.

As HRS interviews continue and the HRS sample matures, the retirement behavior of all workers while aged 62 can be identified with a fair degree of accuracy using monthly reports. However, because workers born on the 1st or 2nd of the month and individual processing times are unknown, and because benefit payment days are not available for claimants after May 1997, a single “perfect” pool probably cannot be identified with HRS data. However, the study of early retirement will be improved by allowing for lags between a 62nd birthday month and first benefit receipt (including lags that may go into the next calendar year) and removing those “not 62 enough” from data collected in the 62nd birthday year.

With a more mature HRS sample, it will be possible to identify all workers who receive benefits reduced for early retirement rather than just the group with reductions for EEA. The impact of any misclassifications on a larger group of early retirees would be much smaller than the impact on only those who are within the first couple months of their EEA.

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